

UNITED STATES DISTRICT COURT
DISTRICT OF MAINE

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| LOTHAR BACHMANN, et al., |) | |
| |) | |
| Plaintiffs |) | |
| |) | |
| v. |) | Civil No. 95-13-P-DMC |
| |) | |
| WAHLCO, INC., et al., |) | |
| |) | |
| Defendants |) | |

AMENDED
MEMORANDUM DECISION¹

This proceeding, involving the business of supplying certain industrial components to the power generation industry, is a dispute between former associates in that endeavor who are now in discord over the manner in which they may compete against one another in light of both the law and the contractual agreements by which they severed their business ties. At the center of the dispute is plaintiff and counterclaim-defendant Lothar Bachmann, an engineer who in 1990 sold the Lewiston, Maine business he founded to a California-based company whose parent company is defendant and counterclaimant Wahlco Environmental Systems, Inc. Lothar Bachmann's agreement not to compete against the Wahlco companies, which included his agreement not to permit the use of his name by any business competitive with the Wahlco companies, contained an expiration date of February 1, 1995. As that date drew near, it proved to be the catalyst to this litigation.

¹ Pursuant to 28 U.S.C. § 636(c), the parties have consented to have United States Magistrate Judge David M. Cohen conduct all proceedings in this case, including trial, and to order the entry of judgment.

The plaintiffs brought this action in state court on December 22, 1994 seeking damages as well as declaratory and permanent injunctive relief on their claims of breach of contract, defamation and trade disparagement. Their complaint also seeks declaratory relief to the effect that the defendants have abandoned the trademark consisting of the word “Bachmann,” that the defendants are estopped from asserting trademark infringement, that the defendants acquiesced to the plaintiffs' commercial use of the surname “Bachmann,” that the plaintiffs have made fair use of this surname, that the plaintiffs had a right to hire employees notwithstanding the existence of a noncompete agreement, and that the plaintiffs may use certain design drawings in connection with their business. The defendants removed the action to this court and subsequently answered. Defendants Wahlco, Inc. and Wahlco Engineered Products, Inc. also assert counterclaims alleging trademark infringement and unfair competition, both pursuant to the Lanham Act, 15 U.S.C. § 1051 *et seq.*, as well as state-law claims of unfair competition, trade name and trademark dilution and breach of contract. All parties have moved for interim injunctive relief. Pursuant to Fed. R. Civ. P. 65(a)(2), I advanced and consolidated trial on the merits with the hearing on the parties' preliminary injunction applications. I conducted a bench trial from January 30 through February 2, 1995.²

I. Jurisdictional Basis

The court has original jurisdiction in this matter. *See* 28 U.S.C. § 1338 (creating original jurisdiction in the federal district courts in actions arising under federal trademark laws and claims

² Notwithstanding the February 1, 1995 expiration date of Lothar Bachmann's agreement not to compete and not to permit the use of his name, the plaintiffs and counterclaim-defendants agreed during trial to forbear from the use of the Bachmann name pending the court's decision on the merits.

joined thereto alleging unfair competition); 28 U.S.C. § 1367 (governing supplemental jurisdiction of pendent state-law claims).

II. Findings of Fact

1. On January 11, 1990 plaintiff and counterclaim defendant Lothar Bachmann was the president of and a shareholder in a Delaware corporation known as Bachmann Companies, Inc. The corporation's principal place of business was Lewiston, Maine. Bachmann Companies, Inc. was in the business of designing and manufacturing certain components used in power plants. Among these components were dampers, gas-flow diverters and expansion joints.

2. Among the subsidiaries of Bachmann Companies, Inc. on January 11, 1990 were Bachmann Industries, Inc., a Maine corporation, Bachmann Industries Canada, Inc., a Canadian corporation, Bachmann Industries Australia Pty. Ltd., an Australian corporation, and Bachmann Sales Australia Pty. Ltd., an Australian corporation.

3. On January 10, 1990 one of these subsidiaries, Bachmann Industries, Inc., was the owner of United States trademark no. 1,509,660, consisting of the word "Bachmann" as used in connection with three international classes of products: (1) expansion joints, hangers and supports, in Class 6; (2) dampers for blocking the flow of gases from power plants, smelters, paper mills and cement plants, in Class 7; and (3) nonmetallic expansion joints, pipe hangers and supports, in Class 20. This trademark appears in the Supplemental Register of the United States Patent and Trademark Office.

4. The shareholders of Bachmann Companies, Inc. on January 11, 1990 were Lothar Bachmann and 169889 Canada Inc., a Canadian corporation.

5. Ekkehard Bachmann was the sole shareholder of 169889 Canada, Inc. on January 11, 1990. He is not a party to this proceeding.

6. On January 11, 1990 the shareholders of Bachmann Companies, Inc. entered into a purchase and sale agreement with Wahlco, Inc.,³ a Delaware corporation with a principal place of business in California. Wahlco, Inc. is a defendant and counterclaim-plaintiff in this action.

7. The agreement provided for the sale of all outstanding shares in Bachmann Companies, Inc. to Wahlco, Inc. The contract required Lothar Bachmann and Wahlco, Inc. to execute an employment agreement so that Lothar Bachmann would become an employee of Wahlco, Inc.

8. The stock transfer contemplated in the January 11, 1990 agreement took place in March 1990; Lothar Bachmann and Holly Bachmann, a plaintiff and counterclaim-defendant, became Wahlco employees.

9. Lothar Bachmann and Holly Bachmann are husband and wife.

10. The name “Bachmann” has acquired a secondary meaning, i.e., the public tends to associate the name “Bachmann” with the products sold by the company that was founded by Lothar Bachmann and sold to Wahlco in 1990.

11. Subsequent to the purchase of Bachmann Companies, Inc., Wahlco, Inc. and its affiliated companies were reorganized so that Wahlco Environmental Systems, Inc. (“WES”) became the parent company of all other entities bearing the Wahlco name. WES is a defendant in this action.

12. C. Stephen Beal is president of Wahlco Engineered Products Group, which is a division of WES. Beal aff ¶ 1. Beal is a defendant in this action.

³ At various times, depending on context, the word “Wahlco” is also used generically to refer to the entire Wahlco family of companies.

13. Relations deteriorated between Lothar Bachmann and his new employer, which discharged him in September 1991. Holly Bachmann ceased to be an employee of Wahlco soon thereafter. Wahlco subsequently agreed to make certain cash payments to Lothar and Holly Bachmann in connection with their leaving Wahlco's employ.

14. On August 13, 1992 Beal announced to all Wahlco employees worldwide that a corporate reorganization would be taking place. Beal advised that, as of September 1, 1992, Bachmann Industries, Inc. would be known as "Wahlco Engineered Products, Inc." ("WEP"), Bachmann Canada would be known as "Wahlco Engineered Products, Canada" and Bachmann Australia would be known as "Wahlco Engineered Products, Australia." The names of the other Wahlco subsidiaries were also changed so as to drop their previous designations in favor of a Wahlco identity.

15. On September 4, 1992 Wahlco filed with the Maine Secretary of State the necessary documents to change the name of Bachmann Industries, Inc. to Wahlco Engineered Products, Inc. The parent company of Bachmann Industries -- Bachmann Companies, Inc. -- did not change its name. WEP is a defendant and counterclaim-plaintiff in this action.

16. In January 1993 Wahlco filed a demand with the American Arbitration Association ("AAA") alleging, *inter alia*, that Lothar Bachmann had breached certain warranties set forth in the 1990 purchase and sale agreement. Lothar and Holly Bachmann pressed an opposing claim that they remained entitled to the payments described in paragraph 13, which Wahlco had refused to make.

17. Lothar Bachmann, Holly Bachmann and Ekkehard Bachmann settled the AAA disputes by separate but identical written agreements with Wahlco, executed on January 6, 1994. Pursuant to these agreements, Wahlco paid the three Bachmanns a total of \$174,999 and dropped its warranty

claims; the Bachmanns, in turn, dropped their claims against Wahlco, WES, Beal and Henry Hute. The parties to the January 6, 1994 agreements agreed to keep their terms confidential, and also agreed to make no oral or written statements “disparaging, criticizing or demeaning each other.”

18. As part of the settlement agreement described in the previous paragraph, Lothar Bachmann entered into a written “non-compete and non-disclosure agreement” with Wahlco on the same date. Lothar Bachmann agreed to return, not utilize and maintain the confidentiality of certain Wahlco design drawings and other proprietary information provided to him by Wahlco during the AAA proceedings. The agreement also included the following provision:

1. Bachmann agrees that until February 1, 1995, he will not (i) carry on anywhere in the world directly or indirectly, whether or not for compensation (as proprietor, partner, stockholder, officer, director, agent, employee, consultant, trustee, affiliate or otherwise) any business involving the design, production or marketing of expansion joints or dampers (including but not limited to butterfly, louver and guillotine dampers as well as gas flow diverters) (“prohibited activities”); and (ii) permit his name to be used by any business competitive in any respect to Wahlco or any of its affiliates and/or subsidiaries. Nothing herein shall be construed to prevent Bachmann from preparing to engage in a competitive business (including, without limitation, designing expansion joints or dampers), so long as Bachmann does not actually engage in such business prior to February 1, 1995, and so long as Bachmann does not solicit customers of Wahlco or any of its subsidiaries or affiliates in connection with prohibited activities prior to February 1, 1995.

19. The agreements described in the previous two paragraphs constitute novations and supersede all previously existing contractual relationships between Lothar Bachmann and Holly Bachmann on the one hand and the Wahlco companies on the other. By their terms, these agreements together constitute the entire agreement between the parties.

20. In 1992 the Wahlco companies began to curtail their use of the Bachmann name. Specifically, WEP changed decals and nameplates affixed to its manufactured products from Bachmann to WEP, changed the signage at its Lewiston factory from Bachmann to WEP, instructed

its employees to discontinue using Bachmann letterhead in favor of WEP letterhead, printed WEP stickers for placement over the references to Bachmann Industries, Inc.'s name and address on company literature, and began creating promotional literature that did not include the word "Bachmann" on it.

21. Since 1992 the Wahlco defendants have not manufactured, sold or otherwise distributed within the United States any dampers, diverters or expansion joints bearing a name plate, decal or other marking with the word "Bachmann" on them.

22. Since 1992 products shipped from the WEP facility in Lewiston have featured nameplates or decals bearing the name "Wahlco Engineered Products, Inc."

23. Although the Wahlco affiliates no longer operate under the Bachmann corporate name in the United States, WEP still distributes promotional literature, created prior to the sale of Bachmann industries, that refers to "Bachmann Industries, Inc." and "Bachmann™" products. This literature is outdated in the sense that WEP is no longer doing business as Bachmann Industries, Inc., the brochures contain outdated corporate names and addresses, and the name "Wahlco" does not appear on them except to the extent that WEP decals or stickers were affixed to them. These brochures are sent from WEP in Lewiston to customers and potential customers.

24. WEP also sends out certain promotional literature, produced subsequent to the sale of Bachmann Industries, Inc., in which the name "Bachmann Industries" has been replaced by "Wahlco," "Wahlco Engineered Products" and "Wahlco Environmental Systems." One such brochure is entitled "Isolation Equipment for Gas Turbine Applications." On page two of this brochure appears the following relevant language:

Wahlco Diverter Valves (WDVs) have been developed using technology from both Bachmann Industries, Inc. and Metro-Flex which Wahlco purchased in 1990 and

1991, respectively. Although the current WDV designs utilize features found on both Bachmann™ and Metro-Flex™ designs, they also have many new innovations that improve diverter operation while reducing pressure drop.

On the back cover of the brochure appears a statement that “[a]ll trademarks are the sole property of their respective owners.”

25. In response to a general inquiry from a potential customer, WEP sends out a compendium of company literature including the brochures described in the previous two paragraphs. Also included are: (1) a cover sheet noting that WES acquired the Bachmann Companies in 1990, reciting, *inter alia*: “The name change to Wahlco Engineered Products is effective as of October 1, 1992. The products and services offered by Bachmann are not affected by the name change,” (2) a two-sided page announcing that WES is a “Single Source for World-Class Hot Gas Isolators, Expansion Joints and Flow Control Dampers,” also reciting in relevant part that “[t]he Bachmann Companies engineer and manufacture customized high quality dampers, expansion joints, gas-flow diverters, and pressure vessels. Their well-established North American product offerings are complemented and enhanced by the products and technology from our new acquisitions.”

26. When a customer approaches WEP by referring to it as Bachmann Industries, Inc., the practice at WEP is to respond by noting in writing that WEP's products reflect the combined talents of Bachmann Industries, Inc. and Metro-Flex, Ltd., the latter being the previous name of another Wahlco subsidiary formerly in competition with Bachmann Industries, Inc.

27. Ronald Allshouse, a WEP vice-president based in Lewiston, makes a practice of transmitting “fax” messages bearing a cover sheet that includes, at the bottom, a “Bachmann™” logo.

28. While employed by WEP in 1994, Frank Jurgilas used a “fax” cover sheet that noted WEP is “formerly Bachmann Industries, Inc.”

29. WEP officials have, within the past year, used the Bachmann name when making a written sales presentation.

30. On October 18, 1994 WEP was the registered owner of United States Trademark No. 1,509,660. *See* paragraph 3, *supra*. On that date, WEP filed with the U.S. Patent and Trademark Office a “Combined Declaration of Use and Incontestability of a Mark Under Sections 8 and 15,” referring to the relevant sections of the Lanham Act. The declaration was executed by Ronald Allshouse, WEP's vice-president of contracts, and represented that the Bachmann trademark had been in continuous use in interstate commerce for five consecutive years in connection with expansion joints, dampers and non-metallic expansion joints.

31. For purposes of the Lanham Act, none of the Wahlco defendants have used the Bachmann trademark in commerce since 1992 nor do they intend to resume using the trademark in commerce. Rather, it is the intention of the defendants to prevent the plaintiffs from using the trademark.

32. In 1993 Lothar Bachmann registered a new Maine corporation, then known as Phoenix Silk Outlet, to carry on a silk trading business unrelated to the present controversy. The silk trading business did not materialize.

33. Lothar Bachmann is also a principal in a Maine corporation known as Phoenix Global. On May 19, 1994 Phoenix Global filed with the Maine Secretary of State the necessary papers to reserve the corporate name of “Bachmann Industries, Inc.” for its exclusive use. Lothar Bachmann

directed that this action be taken upon discovering that the “Bachmann Industries, Inc.” name was no longer registered in Maine by Wahlco or any of its affiliates.

34. On July 28, 1994 Phoenix Global formally transferred the reserved corporate name of “Bachmann Industries, Inc.” to Phoenix Silk Outlet.

35. On September 8, 1994 Phoenix Silk Outlet filed the necessary papers to change its name to Bachmann Industries, Inc.

36. The Bachmann name is widely recognized in the power generation industry, and there is a likelihood of confusion between the Bachmann trade name used by the Wahlco companies and “Bachmann Industries, Inc.,” the corporate name under which the plaintiffs propose to compete with the Wahlco companies.

37. In February 1994 Roger Woodward became an employee of Phoenix Global. Woodward is a mechanical engineer who had been laid off by WEP; among the responsibilities of his new job was to assist Lothar and Holly Bachmann in preparing to compete with Wahlco.

38. During 1994 four other WEP employees, W. Frederic Koch, Frank Jurgilas, John Brotzman and Bruce Harlow, left the company to work for Lothar Bachmann.

39. In June 1994 Woodward attended the annual exposition of the International Gas Turbine Institute (“IGTA”) in The Hague. This is a major trade show for suppliers to the power generation industry and their customers worldwide. Woodward wore a name tag identifying himself as an employee of Phoenix Global, and distributed a news release.

40. Woodward visited the Wahlco booth at the IGTA Expo and had a conversation there with Beal, who voiced no objection to Woodward's presence or activities. Beal did not receive or see the news release mentioned in the previous paragraph.

41. In December 1994 Woodward attended the "Power-Gen" conference in Orlando, Florida. Power-Gen is also a major trade show for the power generation industry worldwide.

42. Woodward had not rented a booth, nor was he otherwise exhibiting or attempting to sell anything on behalf of his employer. However, he was wearing a name tag identifying himself as a vice-president of "Bachmann Industries, Inc."

43. At the Power-Gen conference, Woodward distributed approximately 25 business cards identifying himself as "vice-president, combustion systems" of "Bachmann Industries, Inc."

44. Among the people to whom Woodward gave a business card was Ian Douglas, general manager of WEP Proprietary Ltd., Wahlco's affiliate in Australia. Woodward told Douglas that his employer was currently producing water gates and would be going into competition with Wahlco starting February 1995.

45. Woodward subsequently arranged a breakfast meeting with WEP president Brookman March. Woodward regarded this meeting as a means to avoid giving the impression that he or his employers were conducting themselves in any secrecy.

46. During their meeting, March expressed to Woodward Wahlco's concern about Phoenix Global's use of the Bachmann name in light of Wahlco's renewal of the Bachmann trademark. Woodward told March that he would take the matter up with Lothar Bachmann.

47. In mid-December 1994 Holly Bachmann mailed a holiday announcement to 62 contacts involved in the power generation industry in the United States and around the world. The announcement conveyed holiday greetings from "Bachmann Industries, Inc." and stated that

[a]dvanced State-of-the-Art High Tech DAMPER, DIVERTER AND EXPANSION
JOINT SYSTEMS will be once again available from Bachmann Industries, Inc. as
of FEBRUARY 1, 1995, THE EXPIRATION DATE of the Non-Compete

Agreement. The Complete Traditional line of Bachmann Products with updated technical and commercial advantages will be available.

The greeting included the “new” address of Bachmann Industries, Inc. in Auburn, Maine, asked recipients to return an enclosed form “to indicate your interest and facilitate the formalization of our representative network,” and concluded with seasons greetings “FROM THE BACHMANN TEAM.”

48. In addition to being an expression of holiday cheer, the purpose of the communication described in the previous paragraph was to help the new business venture of Lothar and Holly Bachmann establish a network of representatives who would assist in the marketing of their products. The holiday greeting was not an effort to solicit customers or contracts for the purchase and sale of products.

49. The plaintiffs are not in possession of any of the defendants' design drawings, and accordingly are not making use of these drawings in connection with developing new designs for diverters, dampers or expansion joints.

III. Conclusions of Law

a. The Trademark Claims

The Lanham Act defines a “trademark” as including
any word, name, symbol, or device, or any combination thereof --

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by [the Act],

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127.⁴ Broadly stated, the purpose of the federal trademark legislation is

(1) protection against consumer deception (i.e. purchase of a good that is not what the consumer intended to purchase, but because of packaging or other deceptive imitation of the trademark appears to be the genuine trademarked good); (2) protection of the trademark holder's investment in goodwill and noteworthiness that has been generated by the holder's advertisements and quality from imitative goods over which the trademark holder has no control of quality.

Weil Ceramics & Glass, Inc. v Dash, 878 F.2d 659, 672 (3d Cir.), *cert. denied*, 493 U.S. 853 (1989).

In other words, the right to a trademark is the right to a product *identity* as distinguished, e.g., from a product design or the goods themselves. Thus, the dispute between the parties over the Bachmann trademark is not a dispute over the quality of the products at issue or over whether one party has illegally appropriated the actual products or designs of the other. Rather, the defendant-counterclaimants' cause of action for trademark infringement is grounded in a contention that the plaintiffs and counterclaim-defendants have illegally used an article of intellectual property that they sold to the counterclaimants: the value associated with identifying dampers, diverters and expansion joints as “Bachmann” products. *See* 15 U.S.C. § 1114(1) (creating civil action for nonconsensual use of trademark).

The plaintiffs contend nevertheless that the defendant-counterclaimants cannot maintain an action for trademark infringement because they have abandoned the Bachmann trademark as a matter of both federal and state law. In fact, their complaint seeks a the cancellation of the trademark in light of this alleged abandonment.

⁴ The parties to this proceeding are all persons within the meaning of this provision. *See id.* (providing that “person” includes a corporation or other organization capable of suing or being sued).

In relevant part, the Lanham Act provides that a trademark shall be deemed to be abandoned

[w]hen its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127. Because the adjudication of an abandonment causes the holder of the trademark to forfeit any property interest in the mark, a party asserting nonuse of a trademark registered pursuant to the Lanham Act bears the burden of strictly proving that an abandonment has occurred. *Kardex Systems, Inc. v. Sistemco N.V.*, 583 F. Supp. 803, 812, 813 (D. Me. 1984); *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980). This proof has two elements: “(1) a practical nonuse of the mark; and (2) an accompanying *intent* to abandon the use of the mark, that is, an intent not to resume use of the mark in the future.” *Kardex*, 583 F. Supp. at 813 (emphasis in original) (citing *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19, 31 (1900)).⁵

The first element, i.e., the extent to which the Wahlco companies have actually used the Bachmann trademark since changing the name of Bachmann Industries, Inc. to WEP in 1992, was the subject of considerable testimony at trial. W. Frederic Koch, who left his position as a sales

⁵ I note that this is not a case in which the right of the defendants and counterclaimants to use the trademark is at issue. If it were, the process of allocating the burden of proof would be a different one because the trademark at issue appears only on the supplemental trademark register.

When a trademark appears on the principal register, such registration operates as *prima facie* evidence of the registrant's exclusive right to use the mark in commerce. 15 U.S.C. § 1115(a). The appearance of the trademark on the supplemental register, however, has no such effect. *See* 15 U.S.C. § 1094 (providing that supplemental registrations “shall not be subject to or receive the advantages of section[] . . . 1115); *see also In re Bush Bros. & Co.*, 884 F.2d 569, 570 (Fed. Cir. 1989) (discussing differences between principal and supplemental trademark registrations). In general, a trademark is eligible for the supplemental register when the mark is capable of distinguishing the owner's goods; thereafter, it becomes eligible for registration on the principal register when the mark actually becomes distinctive of the goods. *Id.* The Lanham Act provides that five years of exclusive and continuous use may be considered *prima facie* evidence that the mark is eligible for the principal register. *Id.*, 15 U.S.C. § 1052(f).

executive with WEP in late 1994 to become an associate of Lothar Bachmann, testified that no products bearing any kind of Bachmann labelling have left the WEP factory in Lewiston since 1992. I find Koch's testimony to be credible, especially in light of corroborating testimony from Henry Huta, president and chief executive officer of WES, and Brookman March, president of WEP. The record demonstrates, however, that although the Wahlco companies discontinued public use of the Bachmann corporate name, WEP has continued to distribute certain brochures bearing the Bachmann trademark, both because the materials have not been updated to replace the Bachmann name with Wahlco's, and also because WEP sought to remind certain former customers that had been favorably disposed toward Bachmann products that there was a connection between the former Bachmann Industries, Inc. and Wahlco.

This court has previously equated use of a trademark sufficient to defeat a claim of abandonment with “use in commerce” as that term is defined in the Lanham Act. *See Kardex*, 583 F. Supp. at 813. The Act provides that “use in commerce” means

the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of [the Lanham Act], a mark shall be deemed to be in use in commerce --

(1) on goods when --

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce . .

. .

15 U.S.C. § 1127.⁶ Nothing in the record suggests that it is impracticable to place a trademark on the products at issue here; indeed the evidence demonstrates that both the Bachmann and Wahlco trademarks have commonly appeared on the manufactured goods. Given that no products bearing the Bachmann trademark have left the WEP factory since 1992, the question is whether the promotional materials bearing the Bachmann trademark are “displays associated” with WEP’s dampers, gas flow diverters or expansion joints.

The relevant case law makes clear that for promotional materials to be considered displays associated with the goods, and thus for the court to conclude that the appearance of a trademark therein constitutes use of the mark in commerce for purposes of the Lanham Act, the materials must be received by customers at a point-of-sale location. For example, in *Lands' End, Inc. v. Manback*, 797 F. Supp. 511 (E.D.Va. 1992), the court concluded that a mail-order retailer used its trademark in commerce when it published that trademark, associated with a particular type of purse, on the display of the purses that appeared in a mail-order catalogue. *See id.* at 513. Noting the need to draw a distinction between “mere advertising [and] a display associated with the goods,” the court identified appearance at the point-of-sale location as a “crucial factor.” *Id.* at 514. Because the retail merchant’s customers “can make a decision to purchase an item straight from the identification in the catalogue,” and in light of the “prominent display of the . . . mark with the product” in the catalogue, this use was sufficient to meet the definition in the Act. *Id.* *See also Application of Marriott Corp.*, 459 F.2d 525, 526-27 (C.C.P.A. 1972) (use of trademark on restaurant menu sufficient where it was associated with particular type of sandwich); *In re Shipley Co.*, 230 U.S.P.Q. (BNA) 691 (Trademark Trial & Appeal Bd. 1986) (trademark display at trade show was use in

⁶ Section 1127 also contains a definition of “use in commerce . . . on services” that is not applicable here.

commerce where trademark was associated with certain chemicals that were not physically present at the show). According to the Trademark Trial and Appeals Board, point-of-sale material bearing a trademark amounts to a use of that trademark in commerce when the material is

designed to catch the attention of purchasers and prospective purchasers as an inducement to consummate a sale and which prominently display the mark in question and associate it or relate it to the goods in such a way that an association of the two is inevitable even though the goods may not be placed in close proximity to the display or, in fact, even though the goods may not physically exist at the time a purchaser views the display.

In re Bright of America, Inc., 205 U.S.P.Q. (BNA) 63, 71 (Trademark Trial & Appeal Bd. 1979) (inserts placed in product containers not display associated with goods); *see also In re Application of Columbia Chase Corp.*, 215 U.S.P.Q. (BNA) 478 (Trademark Trial & Appeal Bd. 1982) (folders and brochures containing trademark for solar energy systems not sufficient).

The question of what constitutes the point of sale for diverters, dampers and expansion joints is not susceptible to resolution on the present record. It is clear that these are essentially custom-made products. There was testimony that the price of individual installations can cost several hundred thousand dollars. The purchasers are builders of large power generating facilities; as such, they are sophisticated consumers engaged in arms-length transactions that are completed via written contract. No one decides to buy a gas flow diverter at a trade show upon seeing a “Wahlco” or “Bachmann” display. Assuming, without deciding, that the point of sale for these products is the place at which promotional materials are received by potential purchasers, I conclude that the defendants' use of the Bachmann trademark at that point of sale is not sufficiently associated with the goods in question to be “use in commerce.” It is uncontradicted that the defendants no longer produce or sell “Bachmann” diverters, dampers or expansion joints in the United States, and that at least since 1992 the purpose of distributing materials with the Bachmann trademark has been to sell

Wahlco products.⁷ This is so because the Wahlco products were similar, or even identical, in design to the old Bachmann products, because the defendants desired customers to draw a historical association between its Wahlco products and the formerly-available Bachmann products, and because in some cases the defendants simply did not have anything but outdated promotional materials available. At the location where the materials at issue are received, a customer would not inevitably associate the Wahlco products with the Bachmann products referred to in the materials. These materials are mere advertising and are not sufficient to establish use of the Bachmann trademark. Accordingly, I conclude that the plaintiffs and counterclaim-defendants have met their burden of strictly proving the first element of abandonment, i.e., nonuse of the mark.

Pursuant to section 1127, the plaintiffs and counterclaim-defendants must also prove the second element of abandonment: intent not to resume use of the Bachmann trademark. The statute provides that “[i]ntent not to resume may be inferred from circumstances.” 15 U.S.C. § 1127. As this court has previously noted,

[t]he requisite substantive element of intent, as is generally the case with proof of intent, is seldom capable of direct proof. Of necessity, such intent must be inferred or deduced to exist from the proven circumstances which may properly be taken to reflect [the trademark owner's] intentions. The statute assists the evidentiary process by specifically providing that where nonuse of the mark is proven to have continued for two consecutive years, a *prima facie* showing of abandonment is made. . . . The *prima facie* showing is subject to rebuttal, however.

Kardex, 583 F. Supp. at 814.

⁷ According to evidence in the record, WES owns a 34 percent interest in Bachmann Industries India Pty. Ltd. It is not clear whether this company produces or sells products bearing a “Bachmann” trademark. Even if the subsidiary in India is using the trademark, this would not affect my conclusion that the trademark is not in use for purposes of the Lanham Act. *See Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1579 (Fed. Cir. 1990) (“use” and “nonuse” of a trademark means use and nonuse in the United States); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985) (foreign use is ineffective to create trademark rights in the United States).

The defendants and counterclaim-plaintiffs contend that the plaintiffs cannot benefit from the presumption of intent evidenced by the defendants' nonuse of the mark for two consecutive years. In support of this contention, the defendants point to the continuing presence of the Bachmann trademark in WEP's promotional materials, Koch's testimony that he referred to the Bachmann trademark in a sales pitch made on behalf of WEP in April 1994, Beal's testimony that WEP has never intended to abandon the trademark, and the fact that WEP sought to maintain its rights to the trademark by filing a declaration of use with the U.S. Patent and Trademark Office in October 1994.

The plaintiffs contend that the court should infer the defendants' intent not to resume use of the Bachmann trademark nevertheless, because the record demonstrates only that the Wahlco companies were merely warehousing the trademark without any intent to resume its use in commerce. The plaintiffs further contend that the declaration of use relied upon by the defendants contains certain false statements of material fact that, the plaintiffs maintain, demonstrate at a minimum that there is no intent to resume use. Indeed, the plaintiffs ask the court to sanction the defendants for making a perjured declaration in the affidavit accompanying the registration.

I agree with the defendant-counterclaimants that the record demonstrates conclusively that neither WEP nor any of the other Wahlco companies intended to abandon their right to exclusive use of the Bachmann trademark. But, as the Eleventh Circuit noted in *AmBrit, Inc. v. Kraft, Inc.*, 812 F. 2d 1531 (11th Cir. 1986), *cert. denied*, 481 U.S. 1041 (1987), this is irrelevant. *Id.* at 1550. Rather,

[t]he proper inquiry is whether [the trademark holder] intended to resume meaningful commercial use of the mark, not whether it intended to abandon the mark. Trademark rights flow from use, not from intent to protect rights. Were the rule otherwise, a party could hold trademarks that it never intended to use but did not want to allow others to use. The Lanham Act does not permit such warehousing of trademarks.

Id. (citation omitted). Or, as the Fifth Circuit observed in similar circumstances, “[a]n ‘intent to resume’ requires the trademark owner to have plans to resume commercial use of the mark.” *Exxon Corp. v Humble Exploration Co.*, 695 F.2d 96, 102 (5th Cir. 1983); *see also Major League Baseball Properties, Inc. v. Sed Non Olet Denarius, Ltd.*, 817 F. Supp. 1103, 1126 (S.D.N.Y. 1993), *vacated per stipulation*, 859 F. Supp. 80 (S.D.N.Y. 1994).⁸

Beal testified at trial that a visitor to the WEP facility in Maine could not help but notice the Bachmann trademark everywhere, e.g., on coffee mugs, framed patents on the wall, drawings, etc. Tr. 112-13. Asked directly whether WEP intends to resume putting the Bachmann trademark on its manufactured products, Beal gave a revealing answer: “I’ve talked with our trademark attorney, John Dupre, and I’m taking advice on whether we need to do anything that we are not doing to be certain we are complying with all our specs of the trademark legislation.” *Id.* at 114. Earlier in Beal’s testimony, plaintiffs’ counsel read into the record Beal’s answer during his deposition to the question whether Beal thought the value of WEP would be diminished if this court were to rule that the Wahlco companies have abandoned the Bachmann trademark. *See id.* at 89-90. Beal’s answer was: “[B]ecause by the fact that that ruling would allow Lothar Bachmann to use the name, then obviously it would cause us damage.” *Id.* at 90. I also note that in 1994 the Wahlco companies wrote down more than \$50 million in goodwill, and that a significant portion of this writeoff is attributable to goodwill associated with WEP’s operations in Maine. *Id.* at 282-83. The latter is probative of a belief by Wahlco officials that the goodwill associated with the Bachmann trademark is of little

⁸ While an appeal of the *Major League Baseball Properties* case was pending before the Second Circuit, the parties reached a settlement conditioned on vacatur and, pursuant to the practice then in effect in that circuit, the district court vacated its original order and judgment. *See Major League Baseball Properties*, 859 F. Supp. at 80-81. The original *Major League Baseball Properties* opinion is cited here, and *infra*, because it provides a useful analogy and not necessarily because I consider it to have any precedential value.

commercial value itself, and Beal's testimony demonstrates that the defendants' subjective intent was to prevent Lothar Bachmann from using the trademark rather than to make any good faith commercial use of the mark themselves. The *Exxon* case teaches that token use of a trademark, designed solely to prevent others from using the mark, does not demonstrate an intent to resume use of the trademark within the meaning of section 1127. See *Exxon*, 695 F.2d at 99-103.

Nor can I conclude that the references to the Bachmann trademark on certain promotional brochures still used by WEP demonstrates an intent to resume use of the mark. Such use reflected a desire by sales personnel to provide some kind of written material for potential customers where WEP had not yet gotten around to printing current materials with the Bachmann trademark replaced by Wahlco's. See tr. at 198-99. The most that can be said of this activity is that WEP sales personnel considered it advantageous with some customers to evoke the historical connection between WEP and its former corporate life as Bachmann Industries, Inc.

In the *Major League Baseball Properties* case, the owners of a professional sports franchise moved their operations from New York City to the west coast in 1958, and in so doing changed the name of their baseball team from the "Brooklyn Dodgers" to the "Los Angeles Dodgers." *Major League Baseball Properties*, 817 F. Supp. at 1109-10. The court concluded that the plaintiffs made no "use" of their "Brooklyn Dodgers" trademark between 1958 and 1981, and thus had abandoned it. *Id.* at 1127. In so ruling, the court noted that the Los Angeles Dodgers had, on occasion, given permission to others for use of the "Brooklyn Dodgers" name for little or no compensation, and that the team owners had also used the "Brooklyn Dodgers" trademark in 1959 at a ceremony honoring former Brooklyn Dodgers player Roy Campanella and thereafter at "oldtimers" games "at which former players are honored and perform so that older fans can recall the past and younger fans and

learn about the history of the Club.” *Id.* at 1129. The court dismissed these uses as “warehousing” because they were “strictly . . . in conjunction with items of historical interest.” *Id.*

There is virtually no similarity between professional sports and the business in which the parties to this litigation are engaged, but a useful analogy is apparent. The *Major League Baseball Properties* court rejected the so-called historical uses of the trademark as not probative of the owners' actual use of the mark, and did not discuss this evidence in the context of its evaluation of the owner's *intent* to resume use. Elsewhere in its opinion, the court explicitly found no such intent. *Id.* at 1131. Implicit, however, is a conclusion that efforts to evoke a historical connection between the present use of one trademark and the same corporation's past use of another trademark is neither actual use of the former nor indicative of an intent to resume its use. Just as the Los Angeles Dodgers on occasion find it advantageous to evoke in the public's mind its historic ties to Ebbets Field and the glory days of Roy Campanella, so does it suit WEP to evoke in customers and potential purchasers of Wahlco dampers, diverters and expansion joints an association with the Bachmann dampers, diverters and expansion joints. These allusions to the past -- even if the recent past -- say nothing about an intent to “use” a trademark in the future.

Nor can I agree with the defendants that their filing with the U.S. Patent and Trademark office in 1994 is evidence of an intent to resume use. The Act itself provides that such a registration is conclusive evidence of the validity of a trademark, but subject to proof that the registrant has, in fact, abandoned the mark. 15 U.S.C. § 1115(b)(2). The case law makes clear that, when the issue is whether or not an abandonment has taken place, the significance of the registration will vary with the circumstances. For example, in *AmBrit* registration of a mark in 1949 and 1969 was not sufficient to rebut prima facie proof of abandonment in 1978, where the trademark was not in actual

use from 1932 to 1980. *AmBrit*, 812 F.2d at 1550-51. And, in *Orient Express Trading Co. v. Federated Dept. Stores, Inc.*, 842 F.2d 650 (2d Cir. 1988), a defendant-counterclaimant in an action for trademark infringement properly obtained judicial cancellation of the trademark where the trial court found the declaration of use in the registration statement to be “greatly exaggerated.” *Id.* at 653.

At issue is the “Combined Declaration of Use and Incontestability of a Mark Under Sections 8 and 15 [of the Lanham Act],” executed on October 14, 1994 by WEP vice president Ronald Allshouse. In the declaration, executed on pain of perjury, Allshouse avers that the Bachmann trademark “is still in use in commerce,” and as evidence there are appended several brochures depicting Bachmann dampers, diverters and expansion joints. *See* Pltfs' Exh. 26. I decline the plaintiffs' invitation to find sanctionable fraud here. It suffices to say that I need not and do not adopt Allshouse's statement that the Bachmann trademark is being used in commerce, because the record before me demonstrates that the only current use of the Bachmann trademark is in promotional materials that are not displays associated with the goods.

The plaintiffs and counterclaim-defendants have met their burden of strictly proving by a preponderance of the evidence that WEP and its affiliates abandoned the Bachmann trademark. Accordingly, the defendants are entitled to no relief on their claim of trademark infringement, and I need not address the plaintiffs' contentions that this claim is barred by the doctrines of estoppel, acquiescence, or unclean hands, and that the defendants and counterclaim-plaintiffs have failed to demonstrate the requisite likelihood of confusion between their use of the trademark and that of the plaintiffs and counterclaim-defendants. A federal registration of a trademark may be cancelled if the mark is abandoned, *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021,

1023 (1st Cir. 1989); and such relief is appropriate in these circumstances, *see Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 373 (1st Cir. 1980) (petition for trademark cancellation appropriate as independent action or as counterclaim in infringement suit). Accordingly, the plaintiffs are entitled to a judgment declaring that the defendants' Bachmann federal trademark registration is cancelled.

My conclusion that the defendants have abandoned the Bachmann trademark also precludes any relief sought by the defendants pursuant to the common law of trademarks or Maine's anti-dilution statute, 10 M.R.S.A. § 1530.⁹ Under Maine trademark law, statutory or otherwise, “use, and not registration, creates rights in a mark.” *Diagnostic Mktg. Int’l., Inc. v. Diamed, Inc.*, 707 F. Supp. 50, 55 (D. Me. 1989). For purposes of Maine's trademark statute,

a mark is determined to be used in [Maine] on goods when it is placed in any manner on the goods or their containers or the displays associated with the goods or on the tags or labels affixed to the goods and the goods are sold or otherwise distributed in the State

10 M.R.S.A. § 1521-A. Given that the language in section 1521-A is identical to the definition in the Lanham Act of “use in commerce,” my analysis under the Lanham Act, *supra*, applies with equal force here. *See Diagnostic Mktg. Int’l.*, 707 F. Supp. at 55. The Bachmann trademark is not in use by the defendants as that term is defined by state law and, accordingly, they are entitled to no relief on their state-law trademark claim.

⁹ Section 1530 provides:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

10 M.R.S.A. § 1530.

b. The Lanham Act Unfair Competition Claim

The defendants and counterclaimants further allege that the use of the name “Bachmann Industries, Inc.” by the plaintiffs and counterclaim-defendants violates the Lanham Act's prohibition of false designations of origin and false descriptions. *See* 15 U.S.C. § 1125(a).¹⁰ As a preliminary matter, I agree with the defendants that they may be entitled to maintain a cause of action under section 1125 even in the absence of a valid trademark infringement claim. *See SK&F, Co. v. Premo Pharmaceutical Lab., Inc.*, 625 F.2d 1055, 1065 (3d Cir. 1980); *see also Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 160 (1st Cir. 1977) (noting that one need not be owner of federal trademark to have standing to bring section 1125 claim).

According to the defendants, the plaintiffs are violating section 1125 by doing business as Bachmann Industries, Inc., i.e., the same name as that of the corporation they sold to the defendants

¹⁰ Section 1125(a)(1) provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which --

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

in 1990. In particular, the defendants point to the holiday announcement sent by the plaintiffs in December of 1994, with its references to the “Bachmann Team,” the “Complete Traditional line of Bachmann Products” and the dampers, diverters and expansion joints that will be “once again available from Bachmann Industries, Inc.” The plaintiffs' position throughout this litigation has been that Lothar and Holly Bachmann are entitled to the use of their surname; accordingly, they contend that their current business use of that name is lawful.

The Lanham Act defines a “trade name” as “any name used by a person to identify his or her business or vocation.” 15 U.S.C. § 1127. A name becomes a trade name that merits protection under section 1125 when it acquires a “secondary meaning,” which occurs when the name “comes to symbolize a particular business” to the public. *Madrigal Audio Lab., Inc. v. Cello, Ltd.*, 799 F.2d 814, 822 (2d Cir. 1986) (citations omitted). In other words, a trade name has secondary meaning if “a purchaser will associate it with a certain producer, and will be likely to make that same association when an identical [trade name] (or a confusingly similar [trade name]) is used on another producer's product.” *Yarmuth-Dion, Inc. v. D'ion Furs, Inc.*, 835 F.2d 990, 993 (2d Cir. 1987). As I noted in my findings of fact, the name “Bachmann” has acquired such a secondary meaning; the public, or at least that portion of the public familiar with the highly specialized products at issue here, is likely to associate the name “Bachmann” with the corporation that Lothar Bachmann founded and then sold to Wahlco.

The *Madrigal* case presents circumstances that are similar to the present controversy. In that case, defendant Mark Levinson sold, *inter alia*, the “Levinson” trade name and trademark connected with his audio equipment manufacturing business to the corporation he founded; he also agreed that he would not compete with the company until a certain date in 1988. *Madrigal*, 799 F.2d at 816-17.

Relations between Levinson and the corporation deteriorated, the employment relationship ended, and Levinson founded a new company to produce audio equipment. *Id.* at 817. Creditors forced Levinson's former company into bankruptcy, and the plaintiff acquired the trademark and trade name rights originally conveyed by Levinson. *Id.* The plaintiffs then brought suit under the Lanham Act, alleging both trademark infringement and unfair competition. *Id.*

In analyzing the unfair competition claim, the Second Circuit noted that,

even when a personal name has become a trade name it continues to serve the important function to its bearer of acting as a symbol of that individual's personality, reputation and accomplishments as distinguished from that of the business, corporation or otherwise, with which he has been associated.

Id. at 822. Thus, a court will not bar a person from using his surname unless there is a clear showing that he intended to convey an exclusive right to the use of the name. *Id.* (citing *Guth Chocolate Co. v. Guth*, 215 F. 750, 767 (D. Md. 1914), *affirmed*, 224 F. 932 (4th Cir. 1915)).

Levinson explicitly conveyed the right to “use” the Levinson trade name, but not the right to advertise his affiliation with another company; nor did he “sell or forfeit his right to use his own personal name as long as he did not use it as the trade name of another business.” *Madrigal*, 799 F.2d at 823. Here, too, there is nothing in the record to suggest that Lothar or Holly Bachmann conveyed to the defendants their right to use their surname or their right to advertise their affiliation with another corporation. However, as the Second Circuit also noted,

an individual who sells a trade name may not thereafter falsely designate the origin of newly-produced products by using his [or her] name in such a way as to mislead the public into believing that those products are produced by the company which purchased the trade name. Such “false designation of origin” is impermissible.

Id. (citing *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Levitt Corp. v. Levitt*, 593 F.2d 463, 468 (2d Cir. 1979); *Guth Chocolate*, 215 F. at 762). And here is

where the circumstances in *Madrigal* depart from those in the present case. Levinson explicitly conveyed the right to use the Levinson trade name, retained the right to use his personal name in other than a trade name context and, accordingly, did not use his surname to identify his new business. *Madrigal*, 799 F.2d at 823. Here, Lothar Bachmann conveyed the right to use the Bachmann trade name (then a valid trademark) and is now attempting to use such a trade name again. This is likely to generate confusion in the marketplace as to whether Wahlco or Lothar Bachmann is the “true successor” to the original Bachmann Industries, Inc. *See id.* (rejecting that argument where former owner of trade name simply advertises personal affiliation with new company).

In evaluating the likelihood of confusion in a trademark infringement case, courts consider these factors:

the similarity of the marks; the similarity of the goods; the relationship between the parties' channels of trade; the relationship between the parties' channels of trade; the relationship between the parties' advertising; the classes of prospective purchasers; evidence of actual confusion; the defendants' [or counterclaim-defendants'] intent in adopting its mark; and the strength of the plaintiff's [or counterclaim-plaintiffs'] mark.

Pignons S.A. de Mecanique de Precision v. Poloroid Corp., 657 F. 2d 482, 487 (1st Cir. 1981). The same factors are relevant when the claim is one for false representation or designation of origin. *Greentree Lab., Inc. v. G.G. Bean, Inc.*, 718 F. Supp. 998, 1000 (D. Me. 1989). Such an analysis points inevitably to a finding of a likelihood of confusion. The trade names at issue are identical; save for design variations, the goods are comparable; the channels of trade are the same. Since the plaintiffs and counterclaim-defendants are only beginning to compete in the market for dampers, diverters and expansion joints, a comparison of the firms' advertising is not possible. However, the “Bachmann” name is widely recognized in the power generation industry.

Most significantly, the plaintiffs' 1994 holiday greeting, with its reference to products that will be “once again available from Bachmann Industries, Inc.” as well as its reference to “[t]he Complete Traditional line of Bachmann Products,” uses the Bachmann surname in a manner that is likely to mislead the public into believing that the Bachmanns are once again producing the original line of products sold to Wahlco. As noted in *Madrigal*, this is distinct from permissible references to their surname by Lothar and Holly Bachmann in the course of advertising their affiliation with a new company, and is precisely the kind of confusion and false designation of origin that section 1125 of the Lanham Act explicitly enjoins. It is of no consequence in this context that Lothar Bachmann ardently wishes to recoup his personal reputation in the industry, and that he considers it advantageous in that effort to disassociate himself from Wahlco. In essence, he would like the world to forget that he ever sold his business and, in that sense, has no wish to make his customers think that his current products are Wahlco products. Section 1125, however, does not speak of intent but makes actionable any trade practices that are objectively likely to cause confusion. The manner in which the plaintiffs and counterclaim-defendants have chosen to reenter the business at issue is likely to cause such confusion by falsely suggesting a connection between Lothar Bachmann's former business and his current one.

The plaintiffs contend that any evidence of actual confusion is meager and attributable to sloppy business practices of the defendants. They note that purchasers of gas flow diverters, dampers and expansion joints are sophisticated consumers with full knowledge of all available sources of such products. Even assuming such contentions to be true, they are not dispositive. No showing of actual confusion is required in order to obtain relief under section 1125. *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir. 1992). And I further

conclude that even the most sophisticated of consumers are likely to be confused by the kind of false designation of origin manifested by the 1994 Christmas greeting.

Both sides made patently clear at trial that theirs is a service-oriented industry; sales are dependent not only on the quality of the products offered but on the reputation of the vendor for solving problems both prior to and after the products go into service. Thus, a new entrant into this market faces a disadvantage; lacking a corporate track record for success and service, attracting the interest and attention of potential customers could be difficult even if the products offered are the best in the business. And it is in the process of attracting potential customers that the plaintiffs and counterclaim-defendants run afoul of the Lanham Act. As the Second Circuit noted in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331 (2d Cir. 1975), it is not necessary for the court to determine that the public is likely to buy a product from one producer thinking it is a product of another. *Id.* at 1342. Rather, in that case, the harm was the likelihood that one producer of pianos would attract potential customers based on the reputation built up by the holder of the trade name. *Id.* The same logic applies to diverters, dampers and expansion joints. There is no reason to suppose that the plaintiffs will ultimately make abundantly clear to their customers that the products are being purchased from Lothar Bachmann and not the Wahlco Companies. It is the likelihood of confusion at the initial stages of the sales and marketing process that presents the problem.

For like reasons, the activities complained of by the defendants and counterclaimants also constitute unfair trade practices pursuant to Maine law.¹¹ My determination that there is a likelihood

¹¹ Maine has enacted the Uniform Deceptive Trade Practices Act, 10 M.R.S.A. §§ 1211-1216. Except insofar as the statute operates to lift certain impediments to recovery, it represents a codification of the common law governing deceptive trade practices. *Sebago Lake Camps, Inc. v.* (continued...)

of confusion as a result of the plaintiffs' activities compels a conclusion that the defendants are entitled to relief pursuant to state law as well. *See Greentree*, 718 F. Supp. at 1000 (same “likelihood of confusion” analysis applies to claims under Lanham Act, Maine statute and common law).

The plaintiffs also contend that the Maine Business Corporation Act, 13-A M.R.S.A. § 101 *et seq.*, not only permits their use of “Bachmann Industries, Inc.” as a corporate name, but requires the court to enjoin the defendants from using the same or a similar name. I disagree.

Under Maine law, the name of a corporation

[m]ay not be the same as, or deceptively similar to, the name of any domestic corporation existing under the laws of this State or any foreign corporation authorized to transact business or to carry on activities in this State, or a name the exclusive right to which is, at the time, reserved in the manner provided in [the Maine Business Corporation] Act.

¹¹(...continued)

Simpson, 434 A.2d 519, 521-22 (Me. 1981). Accordingly, the analysis required under both the statutory and common law claims is the same. *Diagnostic Mktg. Int'l.*, 707 F. Supp. at 54.

A person or any legal entity commits a deceptive trade practice as defined in the state unfair trade practices statute when, *inter alia*, he

- A. Passes off goods or services as those of another;
- B. Causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval or certification of goods or services;
- C. Causes likelihood of confusion or of misunderstanding as to affiliation, connection or association with, or certification by, another; [or]
- L. Engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

10 M.R.S.A. § 1212(1).

13-A M.R.S.A. § 301(1)(B). A duly registered name gains the exclusive right to use that name. *Id.* at § 302(1). But the right to register a corporate name is subject to the restrictions in section 301(1), and also must not be “the same as, or deceptively similar to, . . . any trade mark or service mark registered under [Maine state law].” 13-A M.R.S.A. § 303(1). As the plaintiffs note, the record reflects that the defendants did not register the name “Bachmann Industries, Inc.,” as an assumed corporate name or otherwise, following the renaming of the Wahlco companies in 1992; the plaintiffs registered the name “Bachmann Industries, Inc.” for use in Maine as of 1994.

Basic notions of federalism compel a conclusion that a party may not take advantage of the technical provisions in title 13-A governing registration of corporate names to evade scrutiny of their trade practices under the Lanham Act. And, given that the plaintiffs' use of the Bachmann name is also violative of the state statutes governing unfair trade practices, I find no authority in the Maine Business Corporation Act for permitting the plaintiffs to evade such scrutiny. *See Delano v. City of South Portland*, 405 A.2d 222, 227 (Me. 1979) (courts must interpret different statutes governing particular subject matter so as to “make the particular statutes a consistent and harmonious part of a single legislative chart”).

Further, I cannot agree with the plaintiffs and counterclaim-defendants that the written agreements executed by Lothar Bachmann, Wahlco and WES in January 1994 compel the court to find that the defendants acquiesced to or otherwise contractually permitted Lothar Bachmann to use the Bachmann trade name. I discuss these agreements in detail, *infra*, in connection with each side's allegation that the other is in breach. It suffices here to say that the only relevant language in either agreement requires Lothar Bachmann not to “permit his name to be used by any business competitive in any respect to Wahlco or any of its affiliates and/or subsidiaries” until February 1, 1995. *See Dfts'*

Exh. 1015 at 2. This language is entirely prescriptive in nature and conveys no rights to Lothar Bachmann. Nor is there any other evidence in the record to suggest that the defendants, either in connection with these agreements or otherwise, acquiesced to the use of the Bachmann trade name by the plaintiffs and counterclaim-defendants.¹²

Accordingly, I conclude that the counterclaimants have established unfair competition as a matter of federal and state law and are entitled to a declaratory judgment to that effect, but that the plaintiffs are entitled to a declaratory judgment establishing that they may make fair use of the Bachmann surname.

c. The Contract Claims

The defendants and counterclaimants contend that Lothar and Holly Bachmann violated their contractual agreement with Wahlco by competing prematurely in the market for dampers, diverters and expansion joints, and by making use of certain design drawings that are the property of the defendants. The plaintiffs seek a declaratory judgment that they have not violated the contract, and also contend that it is the defendants that are in breach of the agreements at issue. According to the plaintiffs, the defendants breached by “actively creating a barrier” to the plaintiffs' resumption of

¹² As noted *infra*, the two agreements in question are not ambiguous as a matter of contract law, and thus recourse to extrinsic evidence as to their meaning would be inappropriate even if it tended to suggest acquiescence by the defendants. I also note in my findings of fact and in my discussion of the contract claims that the January 1994 agreements together constitute a novation of any previous agreements between the parties. I nevertheless reject the plaintiffs' contention that “*all* prior restrictions [from the 1990 purchase and sale agreement] are novated.” Plaintiffs' Post-Trial Brief at 13 (emphasis in original). Obviously, the 1994 novation did not void the conveyances that took place pursuant to the 1990 purchase and sale agreement, even though those property rights are not the subject of the 1994 agreements. Lothar Bachmann can no more claim a right to the Bachmann trade name as a result of the 1994 agreements than he can claim title to the company he sold to Wahlco in 1990.

competition with them, and by threatening litigation over the plaintiffs' use of the trademark and trade name “Bachmann” and of the corporate name “Bachmann Industries, Inc.” Complaint ¶¶ 88-89. The plaintiffs separately contend that the defendants breached the provision in the settlement agreement that the parties will make no statements disparaging, criticizing or demeaning one another. I find no breach of contract by either side.

The contract claims involve two written agreements executed in January 1994: the “Settlement Agreement and Mutual General Releases” (the “Settlement Agreement”), which appears in the record as Plaintiffs' Exhibit 2, and the “Non-compete and Non-Disclosure Agreement” (the “Noncompete Agreement”) which appears as Plaintiffs' Exhibit 1. The parties executed these written contracts in settlement of all claims then pending between them, and included language stating that these documents constitute the entire agreement of the parties and supersede all previous agreements, oral or written. *See* Pltfs' Exh. 1 at 3-4; Exh. 2 at 7. Such a binding integrated agreement discharges any prior obligations of the parties that are inconsistent with the agreement. *Maine Mortgage Co. v. Tonge*, 448 A.2d 899, 902 (Me. 1982). The Settlement Agreement provides, and the parties do not contest, that Maine law applies to any disputes arising under these two agreements.

The threshold determination is whether this contract is ambiguous, which presents a question of law. *People's Heritage Sav. Bank v. Recoll Management, Inc.*, 814 F. Supp. 159, 162 (D. Me. 1993). If the contract is unambiguous, its interpretation is also a matter of law. *Id.*; *Chadwick-BaRoss, Inc. v. T. Buck Constr., Inc.*, 627 A.2d 532, 534 (Me. 1993). “Contract language is ambiguous only when it is reasonably susceptible to different interpretations.” *Id.*

I conclude that the language in question is not ambiguous. The writing clearly sets forth that which Lothar Bachmann was permitted to do prior to February 1: He could “prepar[e] to engage in

a competitive business (including, without limitation, designing expansion joints or dampers), so long as [he] does not actually engage in such business . . . [nor] solicit customers of Wahlco or any of its subsidiaries in connection with prohibited activities.” Noncompete Agreement ¶ 1. It also is clear on what was prohibited prior to February 1: the carrying on of any business “involving the design, production or marketing of expansion joints or dampers.” *Id.* The parties and their counsel have colloquially referred to this issue as determining whether or not Lothar Bachmann “jumped the gun,” and I agree that the analogy to a footrace is apt. The agreement clearly permitted him to do all that is required by way of preparation: training, planning, the raising of capital, purchase of equipment, etc. What was prohibited was actual participation in the race against Wahlco, which would involve contact with customers and/or potential customers. Accordingly, in construing this unambiguous contract, I adhere to longstanding contract law principle and disregard any extrinsic evidence as to the meaning of the terms in the contract. *See Palmer v. Nissen*, 256 F. Supp. 497, 503 (D. Me. 1966) (citing *Ames v. Hilton*, 70 Me. 36, 43 (1879)).

The contention in the counterclaim that Lothar Bachmann breached the Noncompete Agreement by using Wahlco design drawings in his preparations for competition is easily dispatched. The agreement certainly enjoins such conduct, but there is no evidence in the record to rebut Lothar Bachmann's testimony that neither he nor any of his associates or employees is in possession of such documents. Nor can I agree with the defendants and counterclaimants that Lothar Bachmann's use of the Bachmann trademark or trade name, or his use of the corporate name “Bachmann Industries, Inc.” constitutes a breach of the Noncompete Agreement. The document is silent as to such matters.

Beyond this, the substance of the counterclaim for breach of contract is the allegation that Lothar Bachmann breached his agreement not to compete against Wahlco until February 1, 1994 by

authorizing the distribution of the holiday greeting discussed *supra*, and through the actions of his agent, Roger Woodward, at the “Power-Gen” conference. I have set forth the relevant language from the Noncompete Agreement in my findings of fact.

Applying the language of this unambiguous contract to the facts developed at trial, I find no breach. To continue with the analogy to a footrace, all of the activities cited by the defendants and counterclaimants can be likened to the anxiousness of the athlete at the starting gate. The holiday greeting went only to potential distributors of the new company's products or potential representatives of the company. Woodward's activities at the Power-Gen conference, to the extent that they were not simply a reconnaissance mission to gather data on the products of other firms in the industry, amounted to mere preparations to compete of the sort expressly permitted by the Noncompete Agreement. The hiring of personnel is likewise preparatory activity of the sort permitted by the Noncompete Agreement, even if this process involved convincing certain key employees of one of the Wahlco companies that they should switch their allegiance. Accordingly, I find that Lothar Bachmann has not breached the Noncompete Agreement as alleged by the defendants.

Nor can I agree with the plaintiffs that the defendants are in breach. I know of no authority to support the plaintiffs' contention that a party breaches a contract by threatening litigation over other conduct that the party believes may violate the contract or may otherwise be illegal. To the extent that the defendants have made or threatened legal claims upon which they do not or could not prevail, the worst that could be said about such activities is that they were conducted in bad faith. I need not consider whether the defendants acted in bad faith, because the Law Court has not adopted

an implied duty of good faith as a matter of general contract law. *See Claude Dubois Excavating, Inc. v. Town of Kittery*, 634 A.2d 1299, 1302 (Me. 1993).¹³

d. The Remedy

The task that remains is to craft an appropriate remedy in light of my finding that the plaintiffs and counterclaim-defendants have committed unfair trade practices pursuant to federal and state law. The defendants and counterclaimants seek both damages and a sweeping injunction of the kind approved in analogous circumstances by the Second Circuit in *Levitt Corp. v. Levitt*, 593 F.2d 463 (2d Cir. 1979). *See id.* at 469 (trial court did not abuse discretion in enjoining individually named defendant for two years from publicizing past connection with former firm). The plaintiffs and counterclaim-defendants assert that any injunctive relief should be narrowly tailored so as to protect the interest of Lothar and Holly Bachmann to the legitimate use of their surname.

First, I note that there is no question of any monetary relief on the unfair competition claim, since the defendants and counterclaim-plaintiffs failed to establish any actual damages. *See*

¹³ The complaint also includes separate claims of common law defamation, breach of contract via disparagement, and an allegation that

[d]efendants' conduct in threatening, defaming, and disparaging the Bachmanns in publications to potential employees is a breach of the parties' agreements and creates a real and justiciable controversy entitling plaintiffs to declaratory and injunctive relief establishing their right to solicit employees.

Complaint ¶ 84. At trial, counsel for the plaintiffs indicated that they were withdrawing their common law “defamation” claim. Tr. 101. Thereafter, the parties reached agreement concerning the plaintiffs' breach of contract disparagement claim. *Id.* at 106-08. Although the agreement contemplates stipulated language respecting a notice to be sent by the defendants to all of their employees and agents, the parties are in fact unable to agree on the contents of the notice. At my invitation, the parties have submitted proposed language addressing this issue. The Amended Declaratory Judgment and Permanent Injunction filed herewith reflects my decision as to the appropriate order and notice in the circumstances.

Aktiebolaget Electrolux v. Armatron Int'l., Inc., 999 F.2d 1, 5-6 (1st Cir. 1993) (proof of actual damages required in trademark infringement and unfair competition cases). However, a showing that the violation of section 1125 is likely to cause confusion or to deceive customers is sufficient to warrant injunctive relief where such relief is requested. *Quabaug Rubber Co.*, 567 F.2d at 160; *R. J. Toomey Co. v. Toomey*, 683 F. Supp. 873, 879 (D. Mass. 1988).

In most of the cases discussing the appropriate scope of injunctive relief when the use of a surname is the source of marketplace confusion, there is a family tie, or at least a historical family connection, between the primary and secondary users. The most oft-cited case is *Taylor Wine Co. v. Bully Hill Vineyards, Inc.*, 569 F.2d 731 (2d Cir. 1978), in which the secondary user was the grandson and namesake of the plaintiff corporation's founder. *Id.* at 733. Although the defendant was a former employee of the plaintiff, *id.* at 734, this was not a case in which the grandson had owned and then sold the original business. The *Taylor* court noted that such prior ownership would make a sweeping injunction “more tolerable,” but that, in general, “when the defendant demonstrates a genuine desire to build a business under his own name, courts have been reluctant to proscribe all surname use whatever even though the defendant's conduct has been less than exemplary.” *Id.* at 735 (citations omitted). In the circumstances of the *Taylor* case, involving the bottling of wine, the court concluded that neither the grandson nor his corporation should use the “Taylor” name as a trademark, but that the grandson may advertise his personal connection to the defendant wine company provided he includes a disclaimer indicating he is not connected with the plaintiff. *Id.* at 736. *Joseph Scott Co. v. Scott Swimming Pools, Inc.*, 764 F.2d 62 (2d Cir. 1985), is a variation on the *Taylor* theme that is closer to the instant case. In *Scott*, the plaintiff instituted the proceeding to seek a declaratory judgment permitting its president to use his name in the swimming pool business,

although he was formerly an owner of the defendant company, which sought an injunction to prevent such use. *Id.* at 64. The Second Circuit cited several elements that distinguished *Scott* from *Taylor*. Among them are the fact that the sale of swimming pools, unlike wine, “require[s] countless hours of contemplation and negotiation,” *id.* at 68-69, and the fact that the company president had “a legitimate and compelling interest in using his name in the swimming pool business, having spent twelve years cultivating a personal reputation as a designer of quality custom built pools,” *id.* at 68. Accordingly, certain restrictions ultimately placed on the use of the grandson's signature in *Taylor* were deemed inappropriate in *Scott*, and the appeals panel substituted a provision requiring that Scott's name appear only in “direct conjunction” with a disclaimer of the same size as the name clarifying that Scott is not connected with or a successor to the defendant corporation. *Id.* at 69. Finally, in a similar case involving the son of the founder of company that makes clerical garb and other specialized clothing, a disclaimer requirement was also a key element of the injunctive relief granted by the court. *Toomey*, 683 F. Supp. at 875, 880.

As with all of these cases, the court must consider both the right of the Wahlco companies to be protected from false designations of origin and the right of Lothar and Holly Bachmann to make use of their surname. It is clear to the court that Lothar Bachmann, as the founder of the company he eventually sold to Wahlco and as the putative founder of a new and similar venture, regards his personal reputation as enormously valuable. Moreover, what distinguishes this case from those cited in the previous paragraph is that the Wahlco companies are not presently producing or selling products under the Bachmann name. A potential customer of dampers, diverters and expansion joints who sees the name “Lothar Bachmann” associated with such products would have

no reason to think such products come from the Wahlco companies, unless that customer was either familiar with the former association or was confused by a false designation of origin.

Although the Wahlco companies are no longer doing business under the “Bachmann” corporate name in the United States, I nevertheless agree with the counterclaimants that they would suffer irreparable harm if Lothar Bachmann were permitted to resume head-to-head competition with the Wahlco companies under a corporate name that is the same as the name of the corporation he sold to Wahlco in 1990. However, with an eye toward tailoring any appropriate injunctive relief as narrowly as possible, I conclude that Lothar Bachmann should be permitted to compete with the Wahlco companies under a different corporate name that includes his surname, as long he accompanies the use of such a corporate name with an appropriately worded and legible disclaimer. I also conclude that these restrictions should be limited in time to two years. The universe of potential customers for diverters, dampers and expansion joints throughout the world is a finite one. Thus, as I have already noted, any unfair advantage to the plaintiffs and counterclaim-defendants, and any confusion in the marketplace, is likely to take place in the early phases of the renewed competition as Lothar Bachmann seeks to reestablish himself in the industry. I am convinced that within two years, in light of the injunctive relief I am granting, it will be clear to the power generation industry throughout the world that Lothar Bachmann is back in business but is no longer connected to the Wahlco companies or to the company he sold to Wahlco in 1990. Therefore, certain restrictions reflected in the injunction will expire on January 31, 1997.

IV. Conclusion

In light of the foregoing, judgment shall enter as follows: in favor of the plaintiffs on Count II of their complaint (seeking a declaratory judgment that the defendants abandoned the Bachmann trademark) and on that portion of their complaint seeking a declaratory judgment that Lothar and Holly Bachmann have the right to the fair use of their surname, but subject to the restrictions set forth in the order accompanying this opinion; in favor of the defendants on all other counts of the complaint; in favor of the plaintiffs and counterclaim-defendants on all counts in the counterclaim except Counts II and III. On Counts II and III, judgment shall enter in favor of the counterclaimants with appropriate injunctive relief as set forth in the accompanying order.¹⁴

Dated at Portland, Maine this 24th day of March, 1995.

David M. Cohen
United States Magistrate Judge

¹⁴ The motion for a temporary restraining order or expedited preliminary injunction, which was filed by the counterclaim-plaintiffs on February 27, 1995, is mooted by this opinion and the accompanying judgment and permanent injunction.

UNITED STATES DISTRICT COURT

DISTRICT OF MAINE

| | | |
|---------------------------------|---|------------------------------|
| LOTHAR BACHMANN, et al., |) | |
| |) | |
| Plaintiffs |) | |
| |) | |
| v. |) | Civil No. 95-13-P-DMC |
| |) | |
| WAHLCO, INC., et al., |) | |
| |) | |
| Defendants |) | |

**AMENDED
DECLARATORY JUDGMENT AND PERMANENT INJUNCTION**

I have concluded in an opinion filed today that the plaintiffs and counterclaim-defendants, Lothar Bachmann, Holly Bachmann and Bachmann Industries, Inc., are entitled to judgment on Count II of their complaint, asserting the abandonment of the defendants' federally registered trademark consisting of the word "Bachmann," and that the plaintiffs are also entitled to judgment on that portion of their complaint seeking a declaratory judgment that Lothar Bachmann and Holly Bachmann are entitled to the fair use of their surname. I have further concluded that counterclaimants Wahlco, Inc. and Wahlco Engineered Products, Inc. are entitled to judgment on Counts II and III of their counterclaim, which allege unfair competition based on false designations of origin in violation of the Lanham Act, 15 U.S.C. § 1125(a), and the Maine Deceptive Trade Practices Act, 10 M.R.S.A. §§ 1211-1216. I have also concluded that the counterclaimants have suffered and will continue to suffer irreparable injury as a result of this violation, and that they are thus entitled to permanent injunctive relief.

IT IS THEREFORE HEREBY ADJUDGED AND ORDERED that the defendants have abandoned United States trademark no. 1,509,660, consisting of the word “Bachmann” as used in connection with certain international classes of products, and that the same be cancelled.

IT IS FURTHER ADJUDGED AND ORDERED that plaintiffs Lothar Bachmann and Holly Bachmann have the right to fair use of their surname, subject to the limitations set forth in the permanent injunction herein.

IT IS FURTHER ORDERED as follows:

- (a) The defendants shall not make any written or oral statements disparaging, criticizing or demeaning the Bachmanns.
- (b) The defendants shall, within ten days of the entry hereof, distribute a directive to each of their employees advising them of their obligation not to disparage, criticize or demean the Bachmanns as follows:

This memorandum is to advise you of your obligation, pursuant to a 1994 Settlement Agreement and order of the U.S. District Court for the District of Maine, not to make any written or oral statements disparaging, criticizing or demeaning Lothar Bachmann, Holly Bachmann or their company.

You are required to refrain from making any negative comments at all about the Bachmanns or their company including, but not limited to, any comments that involve name calling, negative comments about personality, negative comments about work ability and negative comments relating to integrity or trustworthiness.

- (c) The defendants shall, within ten days of the entry hereof, distribute a directive to each of their agents advising them of the defendants' express request not to disparage, criticize or demean the Bachmanns as follows:

This memorandum is to advise you of Wahlco's obligation, pursuant to a 1994 Settlement Agreement and order of the U.S. District Court for the District of Maine, to direct you and your employees not to make any written or oral statements disparaging, criticizing or demeaning Lothar Bachmann, Holly Bachmann or their company.

Wahlco requires that you, your employees and agents, refrain from making any negative comments at all about the Bachmanns or their company including, but not limited to, any comments that involve name calling, negative comments about personality, negative comments about work ability and negative comments relating to integrity or trustworthiness.

- (d) Within ten days of completing the distribution of the directives described in paragraphs (b) and (c), the defendants shall submit appropriate affidavits to the Court confirming that they have complied fully with their obligations thereunder, together with a distribution list identifying all parties to whom the required notices were sent.
- (e) The Court retains jurisdiction over this matter for the purpose of ensuring and enforcing compliance with the terms of this non-disparagement order.

IT IS FURTHER ORDERED that Lothar Bachmann, Holly Bachmann, and Bachmann Industries, Inc., and all persons or corporations in privity with the plaintiffs and counterclaim-defendants or controlled by them, without limitation including agents, servants, employees, successors or assigns, are hereby enjoined:

- (a) from using the name "Bachmann Industries, Inc." on the labeling, packaging materials, advertising, promotional materials or other written corporate communications (including, without limitation, stationery, letterhead and fax transmittal cover sheets) associated with dampers, gas flow diverters or expansion joints;
- (b) from using any other corporate name including the word "Bachmann" in such name on the labeling (excluding address labels affixed to the outside of envelopes or packages provided that the disclaimer provided for herein appears inside), packaging materials, advertising, promotional materials or other written corporate communications (including, without limitation, stationery, letterhead and fax

transmittal cover sheets) associated with dampers, gas flow diverters or expansion joints, unless the corporate name is accompanied by a disclaimer, prominently displayed and printed in no less than ten-point type, advising that the company has been producing and distributing the products since 1995, and that the company is not associated with Wahlco Engineered Products, Inc. or any of its affiliates;

(c) from representing, stating or implying, directly or indirectly, that the plaintiffs and counterclaim-defendants are connected in any way or are a successor to Wahlco, Inc. or any of its affiliated companies, including Bachmann Companies, Inc.; and

(d) from representing, stating or implying, directly or indirectly, that any product offered for sale by the plaintiffs and counterclaim-defendants is authorized, sponsored, endorsed, produced or otherwise connected with Wahlco, Inc. or any of its affiliated companies, including Bachmann Companies, Inc.

IT IS FURTHER ORDERED that the restrictions set forth in subparagraphs (a) and (b) of the injunction immediately hereinabove shall expire on January 31, 1997.

SO ADJUDGED AND ORDERED.

Dated at Portland, Maine this 24th day of March, 1995.

David M. Cohen
United States Magistrate Judge